ART vs. STOCKS AND BONDS

A Comprehensive Analysis of the Investment Potential of American Art

SECOND EDITION

QUESTROYAL FINE ART, LLC

Contents

QUESTROYAL FINE ART, LLC
Important American Paintings

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PRINTED 2013

Preface

In 2007, Questroyal Fine Art published a report that explored the potential and qualities of American art as an asset. In this expanded edition we have refined and updated our previous analysis. Our gallery's sole purpose is to demonstrate that American art deserves recognition as an investment. Its merit as an object that rouses your emotions or inspires your imagination should be the primary reason for acquisition; however, because important art requires a substantial commitment of capital, it is wise to understand its characteristics as an asset class as well.

The distinguished professors Dr. Jianping Mei and Dr. Michael Moses of New York University's Stern School of Business provided the data used to compile this report, and readers should have confidence in these methods and formulas. I encourage a careful reading of the introduction that follows to gain further insight into the methodology.

I have selected Vincent DiVito, a former chief financial officer of a multinational corporation and present managing director of his own consulting and advisory firm, to write this report. His presentation of the material will appeal to seasoned investment professionals while also giving explanations and guidance for those less familiar with statistical and financial analysis.

As you read this study, you should be aware of several factors. First, transaction costs are not factored into the returns for all of the asset classes; however, the fees and commissions to sell art are the highest. If these expenses were included, then the returns shown would be lower, but these costs can be somewhat mitigated by a good working relationship with a gallery.

Second, because this report relies on verifiable repeat sale pairs, only public auction records have been used. Private market activity—which may equal or exceed that of the public market—is not included, and its impact on the returns is not known. This second factor underscores a third aspect of this analysis that requires consideration: this study's focus is only on paintings that have sold more than once, and no consideration is given to quality or potential, which limits possible returns. How much might the results be improved upon if expertise were a quantifiable variable? (This question is addressed in the section *How Expertise Can Enhance Investment Results.*)

If you are considering venturing into the world of American art, then you may appreciate the nature of my gallery. Unlike most galleries, we own nearly all of what we sell. Nothing proves conviction like the commitment of capital. There is a somewhat crude expression that has become our motto: "Put your money where your mouth is." We always have and always will.

As with any other investment, the integrity of those you choose to do business with is paramount. Investigate credentials vigorously, demand references, and, most importantly, learn as much as you can before you begin.

I encourage all of you to ask questions and visit the gallery.

LOUIS M. SALERNO
Owner, Questroyal Fine Art, LLC

Acknowledgments

We would like to thank Dr. Jianping Mei and Dr. Michael Moses of Beautiful Asset Advisors® LLC for providing access to their research. We are grateful for their assistance throughout the project. The Mei Moses® Family of Fine Art Indices© and the accompanying material presented on their website (www.artasanasset.com) formed the basis of this report. Additional assistance was provided by Chelsea DeLay and the entire Questroyal Fine Art staff.

About the Author

Vincent DiVito is currently the managing director of Vincent L. DiVito, Inc. (www.vdivito.com), a consulting firm that provides board service as well as a wide range of consulting and advisory services. He is an experienced board member who is currently serving on two boards of directors, Entertainment Gaming Asia (NASDAQ) and Elara Foodservice Disposables, LLC (private), since 2006 and 2011, respectively. He previously sat on the board of directors for Riviera Holdings Corporation from 2002 to 2011; he served as chairman from 2010 to 2011. Vincent was recently named a Board Leadership Fellow by the National Association of Corporate Directors.

Vincent has spent more than twenty-five years in corporate financial management and has covered the full gamut of CFO responsibilities, which have included M&A, treasury, tax, controlling, strategy development, and financial reporting for a range of businesses operating in North America, Europe, Asia, and Latin America. He recently served as president and CFO at Lonza America, Inc., until 2010. Throughout his career, Vincent has overseen IT, HR and benefits, pension management, legal, and finance matters. Additionally, he is a certified public accountant (CPA) and certified management accountant (CMA).

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Introduction: American Art as an Asset

This report is, to some degree, an update of the initial study Questroyal published in 2007. An overarching theme in the original analysis was that art—American art in particular—was not only a source of aesthetic, cultural, and historical beauty but also a viable asset from an investment perspective. We detailed American art's financial returns in comparison to other genres and, more importantly, to more traditional investment categories, such as stocks, bonds, and gold. After a fair amount of technical financial analysis (i.e., tables, graphs, definitions of certain financial metrics, etc.), we concluded that American art can be a viable investment that—when combined with other, more traditional assets—creates a superior performance due to its average annual returns relative to its risks, the diversification benefits of adding it to a portfolio, its low level of correlation to stocks, and its outperformance during challenging economic times.

This 2013 report features updated comparative performance data and provides our thoughts as to why American art fared better or, in some cases, worse than the other asset categories. We have also included new insights into American art's correlation with other investment categories; however, one significant difference between this report and its predecessor is the added emphasis on how expertise can enhance returns. We believe that this is a critical element to improving the likelihood that your art investments will outperform the other categories examined.

Much of the research upon which this report is based originated in the work of Dr. Jianping Mei and Dr. Michael Moses, professors at New York University's Stern School of Business.* Together, Mei and Moses have completed the most comprehensive study of art's utility as an asset class to date. Treating art as a holding similar to traditional investments, Mei and Moses created a group of indices that track the fluctuating trends of the art market over time. The Mei Moses® Family of Fine Art Indices© are comprised of data points that record the difference between prices paid for the same painting at two distinct points in time. Repeat sale pairs are determined by thoroughly reviewing sales catalogues from Sotheby's and Christie's, in addition to using provenance to locate prior public sales. For each viable work, the sale price realized at the first auction (coded as the purchase price) and the sale price collected at the second auction (coded as the sale price) were then catalogued. It is worth noting that these purchase and sale prices, as shown in the Christie's and Sotheby's catalogues, include a "buyer's premium," which may be as high as 25 percent of the hammer price. If you were to buy and sell at auction, then you would pay both a buyer's premium at purchase and a seller's commission, perhaps 5 percent, upon the sale.

Let's take a hypothetical example of a buyer who purchases a painting at auction for $10,000 ("hammer price"). After paying the buyer's premium of 25 percent, he or she would be paying $12,500 total. Upon the sale of that same painting (again, at auction) for a $15,000 hammer price, the new buyer would pay $18,750 (i.e., $15,000 plus the 25-percent buyer's premium), and the seller would net approximately $14,250 (i.e., $15,000 less 5-percent commission). In the catalogue listings and, consequently, in the Mei Moses analysis, this sequence would appear as a $12,500 purchase and an $18,750 sale. While this fee schedule may not perfectly match the economics to the individual buyer and seller, one can argue that it represents the price that two separate buyers were willing to pay at two different points in time. The reader should be aware that the other asset category results (e.g., S&P 500, Barclays Bond Index, etc.) do not include any transaction costs that would reduce the performance shown for these more traditional investments. Currently, the Mei Moses® All Art Index holds more than 34,000 repeat sale auction pairs, which have been divided into four subindices: Old Masters and Nineteenth Century, Impressionist and Modern, American before 1950, and Postwar and Contemporary.

The Mei Moses indices meet the same standards as those of other financial indices; data is collected from auction catalogues because these records provide transparent and publicly available price information that is not affected by sample selection biases. By its nature, this method excludes private sales, which, by some estimates, account for about half of the activity worldwide. This method, known as the Repeat-Sales Regression (RSR) model, is an established economic model that circumvents the heterogeneous nature of art by isolating the same product at two different points in time (for this reason, the most widely used real estate indices, such as Standard & Poor's Case-Schiller Index, are also based on RSR models). The Mei Moses® Family of Fine Art Indices© are designed to provide a random sampling of the art market— a representative snapshot of its highs and lows. These indices can be used to compare the risk and return of each collecting category to those of other collecting categories, to the art market as a whole, and to traditional assets.

In order to present a concise report, this document focuses on the performance of American art created before 1950. This category includes works by artists from the Hudson River School, tonalist, impressionist, Ashcan School, and modernist movements. Although a complete examination of all collecting categories in the Mei Moses® Family of Fine Art Indices© would be instructive, this succinct "case study" demonstrates the power of one specific collecting category, which allows for a detailed understanding of how the performance of American art compares to other financial assets.

We hope that you find this report informative and provocative. Perhaps you will consider including important American paintings as a component of a well-balanced portfolio. Of course, the added dividends are the years of pleasure that these paintings will give you and your family.

** Dr. Moses recently retired from teaching, but he continues to work with Dr. Mei on their art index business: Beautiful Asset Advisors® LLC.*

The Strength of the American Art Market

In 2007, when we undertook our analysis of American art as a viable investment, there was not a lot of press about the subject. Since then, much has been written about art as an investment. We continue to feel strongly about the category of American art, both from a historical, visceral, and aesthetic perspective as well as a financial one. The tables that follow will demonstrate American art's performance relative to other investment indices and, additionally, to an all-art index for various time frames.

One noteworthy trend is the substantial growth in the overall art market since 1970. Data compiled by Blouin Art Sales Index on auction sales shows that in 1970, overall art sales at auction were just over $45 million, with 5,923 pieces sold.[1] In 2011, the same categories of art grew to $5.4 billion and just under 70,000 pieces sold! American art, as a subset of the Blouin data, reflected $1.7 million and 484 pieces sold in 1970, compared to $146 million and 6,195 pieces sold in 2011.

There are several important conclusions to be noted from this data, namely: (a) that the market's absolute size and trading activity have become very substantial, creating a much more robust marketplace; (b) that the compounded annual growth rate (in dollars of sales) of the American art market and the overall market (for these auction sales, which, again, exclude private sales) was 11.8 percent and 12.7 percent, respectively; (c) that the compounded annual growth rate of the number of pieces of American art sold and the overall art market was 6.6 percent and 6.4 percent, respectively; and (d) that these results suggest the compounded annual growth in average selling price per piece for both American art and for the overall benchmark was close to 6 percent (you will find this result to be reasonably consistent with the compounded returns during that time frame, albeit through a more reliable and meaningful calculation as provided by Mei and Moses/Beautiful Asset Advisors® LLC). One conclusion that you may draw from this information is that perhaps we are not alone in our conviction that art—and specifically American art—is finding a meaningful place on investors' personal balance sheets.

[1] Roman Kraeussl, "Up, Up, and Away," *Art + Auction* XXXVI (September 2012): 146–7.

Table 1 2012 Compounded Return: American Art vs. All Art Index [2]

	American Art before 1950	Mei Moses® All Art Index
Last Year	21.9%	-3.3%
Last 10 Years	1.0%	7.2%
Last 30 Years	5.7%	7.4%
Last 50 Years	9.4%	8.2%

Table 1 compares American art performance against Mei Moses® All Art Index, and it shows that the overall returns are not that different over the longer time frames (i.e., 30 years and 50 years). However, there is quite a difference in both the one-year and ten-year metrics, as American art appears to have underperformed over the ten-year period and dramatically outperformed in 2012. Let's look at some possible causes for these short-term variances.

It is not unusual for performance on a bundle of assets to vary significantly in the short term. Art, including American art, is far from an "efficient" market, despite the growing trading volumes. Efficient market theorists believe that at any point in time, the price of a security reflects all meaningful information, which implies that one cannot "beat the market" through superior information (e.g., heeding nonpublic, "inside" information). While there are varying degrees of efficient market theory, the basic premise is that the market is sufficiently robust with enough meaningful, available information that individual stock prices are reasonably "accurate" (i.e., they are fairly valued based on the prospects of the underlying company to deliver cash returns to the holder of the stock). We believe that during the financial crisis, American art collectors were reluctant to sell their best paintings; consequently, the paintings presented for sale were of lesser quality and, therefore, adversely affected returns. The American art market is a relatively small subset of the entire art market; therefore, this impact was more profoundly felt in American art than in the other art categories. In fact, we see the partial reversal of this situation in 2012, when some of those same American art collectors began to sell their better pieces, resulting in a dramatically better performance for that year. This occurrence is also supported by differentials in the variability of returns between American art and the all-art categories, as demonstrated by the standard deviation of their performances (see page 8 for an explanation of variability and standard deviation). Historically, American art tends to generate returns that are further from the norm than those seen in the all-art category.

[2] Source: www.artasanasset.com ©2011. This information cannot be used or reproduced without the permission of Beautiful Asset Advisors® LLC.

Table 2 **2012 Compound Annual Return: American Art Index vs. Financial Indices** [3]

	American Art before 1950	S&P 500 Total Return	U.S. Treasury 10-Year Notes	U.S. Treasury 90-Day Bills	Gold	Barclays U.S. Corporate Bonds
Last Year	21.9%	16.0%	4.2%	0.1%	6.1%	9.8%
Last 10 Years	1.0%	7.1%	5.6%	1.7%	16.1%	6.3%
Last 30 Years	5.7%	10.8%	7.9%	4.4%	4.5%	8.8%
Last 50 Years [4]	9.4%	10.2%	8.5%	4.6%	6.5%	8.3%

An Explanation of Standard Deviation as a Measure of Risk

Standard deviation serves as a measure of the variability in a data set. In essence, it represents how broadly the data points fluctuate around the mean (or average). A large standard deviation indicates that the data points are widely dispersed around the mean: the sample is highly variable. A small standard deviation indicates that the data points are tightly clustered around the mean: the sample is relatively uniform. So, what does a standard deviation value really mean? Statistically, just over two-thirds of the time, an asset's return in any given year will be within one standard deviation of its average return. Taking it one step further, in 95 percent of the years, the asset's return will be within two standard deviations of its average return. So, for example, when the long-term return on American Art is 9 percent and its standard deviation is 17 percent, then in just over two out of every three years, the actual return is likely to range from -8 percent to +26 percent (i.e., 9 percent average +/- one standard deviation, or 17 percent).

In **Table 2**, when we compare the performance of American art to that of other asset categories—the S&P 500 (total return, including dividends), U.S. Treasury ten-year notes, U.S. Treasury ninety-day bills, gold, and corporate bonds—we see that over the longer periods, particularly beyond thirty years, American art is competitive with the total return of the S&P 500 (9.4 percent vs. 10.2 percent) and has also outperformed other benchmarks. Over the last ten years, for the same reasons cited previously, American art underperformed—particularly from 2008 to 2011, as the 1-percent compounded annual return trailed all the other investment categories. However, the 21.9-percent return on American art in 2012 stood well above the performance of all of these same categories, with the S&P 500 total return a distant second with a 16-percent performance.

Although everyone is interested in total rates of return, professional investors and those who study portfolio theory are quick to add that rate of return alone is insufficient to judge the contribution of a single asset or an asset category. These professionals also look to measures of volatility as well as to how closely correlated a specific asset or category is to the returns of the overall market (typically evaluated based on the S&P 500). Correlation will be discussed in the next section, *American Art as a Means of Portfolio Diversification*. In finance, standard deviation is used to evaluate the volatility of an investment (see sidebar for a definition of standard deviation). An asset that yields highly variable annual returns will have a large standard deviation, indicating that it is a volatile investment. An asset that yields consistent returns each year will have a small standard deviation, indicating that it is a fairly stable investment. This is the other half of the risk-reward tradeoff. Generally speaking, the higher the risk—where you would expect a higher standard deviation—the higher the potential return. Of course, it works both ways: the higher the

[3] Sources: **American Art before 1950**–www.artasanasset.com ©2011. This information cannot be used or reproduced without the permission of Beautiful Asset Advisors® LLC. **Financial Indices**–data provided by RCL Advisors, LLC.

[4] The results for the financial asset categories do not go back fifty years. The amount shown in each category is the return result calculated from its specific inception date. The inception dates for each asset class are as follows: S&P 500, 1/30/1970; U.S. Treasury 10-Year Notes, 1/31/1980; U.S. Treasury 90-Day Bills, 12/31/1981; Gold, 12/30/1977; Barclays U.S. Corporate Bonds, 12/29/1972.

Table 3 **Standard Deviation (Risk): American Art Index vs. Financial Indices** [5]

	American Art before 1950	S&P 500 Total Return	U.S. Treasury 10-Year Notes	U.S. Treasury 90-Day Bills	Gold	Barclays U.S. Corporate Bonds
Last 10 Years	17.4%	14.8%	8.0%	0.5%	18.8%	6.3%
Last 30 Years	19.5%	15.3%	7.8%	0.8%	15.9%	5.8%

Note to Table 4

Note that **Table 4** uses the longest period for which we have returns (see **Table 2**) and the longest period for which we have standard deviations (see **Table 3**). Although the time periods are not an exact match, the results are still representative. The reader may also substitute other long term returns and standard deviations for other time periods from **Tables 2 and 3** to gauge the impact on the range of returns for each asset class.

risk, the greater the chance for loss in a particular year. The ideal combination is a high, long-term compounded return with a modest (or even low) standard deviation.

Looking at **Table 3**, we can see that the standard deviation for American art is slightly higher than that of the S&P 500 for both the ten-year and thirty-year periods, and it is also competitive with gold as an asset category. This finding is consistent with most people's perspective on relative risk, although the volatility of assets like art and gold is not that different from that of stocks (as measured by the S&P 500). Naturally, historically less risky investments, such as corporate bonds and treasuries, have lower standard deviations as well as lower long-term annual returns.

Putting the risk and reward data into one table (see **Table 4**) shows what might be an expected range of returns, given past performance. And although past performance is no guarantee of future returns, this data is useful for gaining a better understanding of American art as an investment category.

Table 4 **Combined Risk and Return** [6]

	American Art before 1950	S&P 500 Total Return	U.S. Treasury 10-Year Notes	U.S. Treasury 90-Day Bills	Gold	Barclays U.S. Corporate Bonds
Long-Term Returns Compounded Annual %	9.4%	10.2%	8.5%	4.6%	6.5%	8.3%
Long-Term Standard Deviation	19.5%	15.3%	7.8%	0.8%	15.9%	5.8%
Expected Returns (1 Standard Deviation= 68% of Time)	-10.1% – +28.9%	-5.1% – +25.5%	+0.7% – +16.3%	+3.8% – +5.4%	-9.4% – +22.4%	+2.5% – +14.1%
Expected Returns (2 Standard Deviations= 95% of Time)	-29.6% – +48.4%	-20.4% – +40.8%	-7.1% – +24.1%	+3.0% – +6.2%	-25.3% – +38.3%	-3.3% – +19.9%

[5] Sources: **American Art before 1950**–www.artasanasset.com ©2011. This information cannot be used or reproduced without the permission of Beautiful Asset Advisors® LLC. **Financial Indices**- data provided by RCL Advisors, LLC.

[6] Sources: **American Art before 1950**–www.artasanasset.com ©2011. This information cannot be used or reproduced without the permission of Beautiful Asset Advisors® LLC. **Financial Indices**- data provided by RCL Advisors, LLC.

American Art as a Means of Portfolio Diversification

Now we will discuss another variable that portfolio managers examine: correlation. Correlation describes how two items change over time in comparison to one another. In other words, if they tend to move in the same direction, they are correlated. If they tend to move in opposite directions, they are inversely or negatively correlated. Or if they have little or no relationship at all, they are uncorrelated.

Why is correlation important? If you have in a portfolio only investment assets that tend to move in the same direction as a result of changes in macroeconomic factors (e.g., interest rates, employment data, GDP growth, etc.) or world events, such as war or other crises, then it is tantamount to having "all of your eggs in one basket." You may not have reduced your risk by buying several different assets if they all react in the same way to economic changes, meaning that they are highly correlated. But if you invest your portfolio in assets that have little or no correlation, then you achieve real diversification and risk reduction (see sidebar on page 11 for more information).

Table 5 shows how well art (including American art) performed relative to the S&P 500 during wartime and its immediate aftermath. These tables are presented in the form of indexes with the base period, or start of each period, shown with a value of $100 and each subsequent period is a value relative to that respective base. In cases such as World War I, World War II, and the Vietnam War, art had strong positive returns while the S&P 500 was either flat or declined. In the case of the Korean War and The Global War on Terror, both art and the S&P 500 performed positively. These outcomes serve to demonstrate that the overall correlation of art to the S&P 500 was relatively low, and art could—and has—served a protective function within portfolios during times of strife.

An Explanation of Correlation Coefficients

Correlation is used to measure the strength of the association between two variables, which in our case are the art market and another asset class. Correlation coefficients can be positive or negative. Positive correlation coefficients indicate that the association between the variables moves in direct proportion to one another. Negative correlations indicate an inverse relation between the variables, such that as the value of one increases, the value of the other decreases—for example, as the art market's rate of return rises, the stock market's rate of return falls. Correlation coefficients range on a scale from -1 to +1; zero denotes no relation between the variables, +1 denotes an exact correspondence, and -1 denotes an exact inverse relationship. Variables with a strong association have values that are close to -1 or +1, while variables with a weak association produce correlation coefficients closer to zero.

Table 5 Performance of S&P 500 and Art during Major Global Conflicts [7]

World War I (1913–1920)

	S&P 500	Mei Moses® All Art Index
1913	$100	$100
1918	$75	$250
1920	$94	$125

World War II (1937–1946)

	S&P 500	Mei Moses® All Art Index
1937	$100	$100
1938–40	$50	$188
1946	$101	$130

Korean War (1949–1954)

	S&P 500	Mei Moses® All Art Index	Mei Moses® American Art Index
1949	$100	$100	$100
1954	$167	$208	$113

Vietnam War (1966–1975)

	S&P 500	Mei Moses® All Art Index	Mei Moses® American Art Index
1966	$100	$100	$100
1970	$73	$171	$170
1975	$73	$356	$344

The Global War on Terror (2001–2006)

	S&P 500	Mei Moses® All Art Index	Mei Moses® American Art Index
2001	$100	$100	$100
2006	$134	$173	$165

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Table 6 **Performance of S&P 500, All Art, and American Art during the Global Financial Crisis (2008–2012)**[8]

	S&P 500	Mei Moses® All Art Index	Mei Moses® American Art Index
2008	$100	$100	$100
2012	$109	$105	$74
Single-Year 2012	16%	-3.3%	21.9%

Table 7 **Correlation of American Art Returns to the S&P 500**[9]

	10 Years	30 Years	50 Years
American Art Before 1950	0.42	0.38	0.22

When we broaden our analysis to include the Global Financial Crisis (2008–2012), as shown above in **Table 6**, and the updated correlation of American art returns versus the S&P 500, as shown above in **Table 7**, we see an interesting set of developments. The correlation of American art's performance versus that of the S&P 500 seems to be higher, indicating that the two investments are slowing becoming somewhat more correlated. Specifically, the fifty-year correlation coefficient is only 0.22, while the thirty-year coefficient is 0.38 and the ten-year coefficient is 0.42. It would appear that with the overall growth in the American art market and the attention that art has received in terms of its investment appeal, its returns are becoming more correlated (but still not highly correlated) with the S&P 500. Similarly, when we look at the variability in American art returns over the last thirty years to 2012, we see a 19.5-percent standard deviation (see **Table 3**), compared to 38.4 percent over thirty years to 2007 (as shown in our 2007 analysis). The market for American art is beginning to show an improved efficiency (see discussion on market efficiency, page 7); as a result, pricing is less variable.

When we look at the performance of American art as reflected in the Mei Moses® American Art Index relative to the S&P 500 and the Mei Moses® All Art Index during the Global Financial Crisis (see **Table 6**), we see what appears to be a different outcome from all the previous tables, whereby American art's returns were positive through periods of distress.

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[9] Source: www.artasanasset.com ©2011. This information cannot be used or reproduced without the permission of Beautiful Asset Advisors® LLC.

What makes this finding more unique is the negative performance of American art versus both the Mei Moses® All Art Index and S&P 500 Indices during the Global Financial Crisis, followed by a year (2012) of significant outperformance by American art. As more fully described on page 7 in *The Strength of the American Art Market*, it appears that collectors' reluctance to sell quality works during the Global Financial Crisis was a major contributing factor to the ten-year performance. In 2012, higher quality work was offered, which contributed to that year's substantial outperformance.

Armed with data on the absolute performance of American art—as well as the level of risk, measured by the standard deviation, and the way it tends to behave in comparison to the S&P 500, reflected in the correlation statistics—we are still faced with the larger question of how American art might impact an overall investment portfolio.

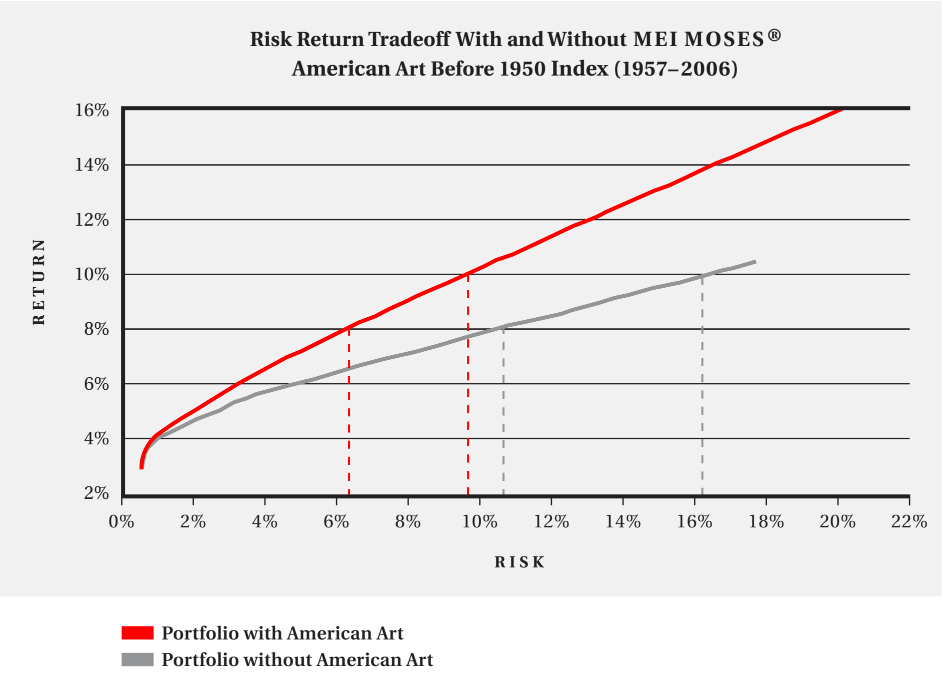
One might expect that adding an asset, such as American art, with a standard deviation that is slightly higher than that of the S&P 500—and certainly much higher than those of treasuries and bonds—to a portfolio would raise the overall risk of that portfolio. In fact, due to the still low overall correlation between American art's financial performance and that of the S&P 500, it tends to lower the overall risk of that portfolio at almost every investment-return level. **Figures 1 and 2** on the following pages provide useful examples. We acknowledge that the tables cover the fifty-year period from 1957 to 2006. These tables have not been updated by Mei and Moses since then, but we believe that the conclusions would remain the same over any extended period of time.

Mei and Moses developed these tables to illustrate two important outcomes from adding American art to a diversified portfolio. First, **Figure 1** shows us that at every level of risk, based upon the standard deviation of the overall return of the portfolio, a higher return is achieved with American art as part of that portfolio. The other way of viewing this is that for every level of return, the portfolio with American art achieves that return with a lower level of risk than does the same portfolio excluding American art. Second, **Figure 2** illustrates how the inclusion of a growing proportion of American art is required in order to achieve the "optimal mix" of assets as those required returns increase. In this case, an optimal mix is defined as that combination of investments that achieves the lowest level of risk—demonstrated by the standard deviation of the overall portfolio—for each level of return. In other words, in order to achieve higher levels of return at the lowest overall risk levels, American art needs to occupy a greater proportion of the overall portfolio.

Figure 1 Risk Return Tradeoff Based on the Last 50 Years: American Art Index[10]

Explanation of Figure 1

Figure 1 plots returns versus risk (standard deviation) for two "efficient frontier" curves, each one representative of either a portfolio with or without American art. These curves chart points where both portfolios reach maximum returns for the stated level of risk. The asset allocation underlying each level of return on Figure 1 for the portfolio with American Art is shown in Figure 2 on page 15. For example, at the 10-percent return level the portfolio with American art shows a standard deviation of just under 10 percent (as seen in Figure 1) and the composition of that portfolio (as seen in Figure 2) is 20 percent American Art, 20 percent S&P 500, and 60 percent U.S. Treasury ten-year notes. The graph can be interpreted as either the comparative level of risk for each level of return or, conversely, as the return for each level of risk. For example, to achieve a 10-percent return, the portfolio without American art would require a little more than a 16-percent standard deviation. Achieving that same return with American art in the portfolio would require just under a 10-percent standard deviation—almost a 40-percent reduction in risk to achieve the same outcome. At the same 10-percent standard deviation level, the portfolio without American art might be expected to achieve an 8-percent return, while the portfolio with American art might be expected to achieve just over a 10-percent return (a 25-percent improvement in performance at the same risk level in this example).



Interestingly, the S&P 500 proportion of these optimal portfolios remains relatively constant once we move beyond a 6-percent return, while the American art proportion continues to increase throughout the return spectrum. As you would expect, treasuries and bonds make up a declining portion of the overall portfolio as the return requirement increases.

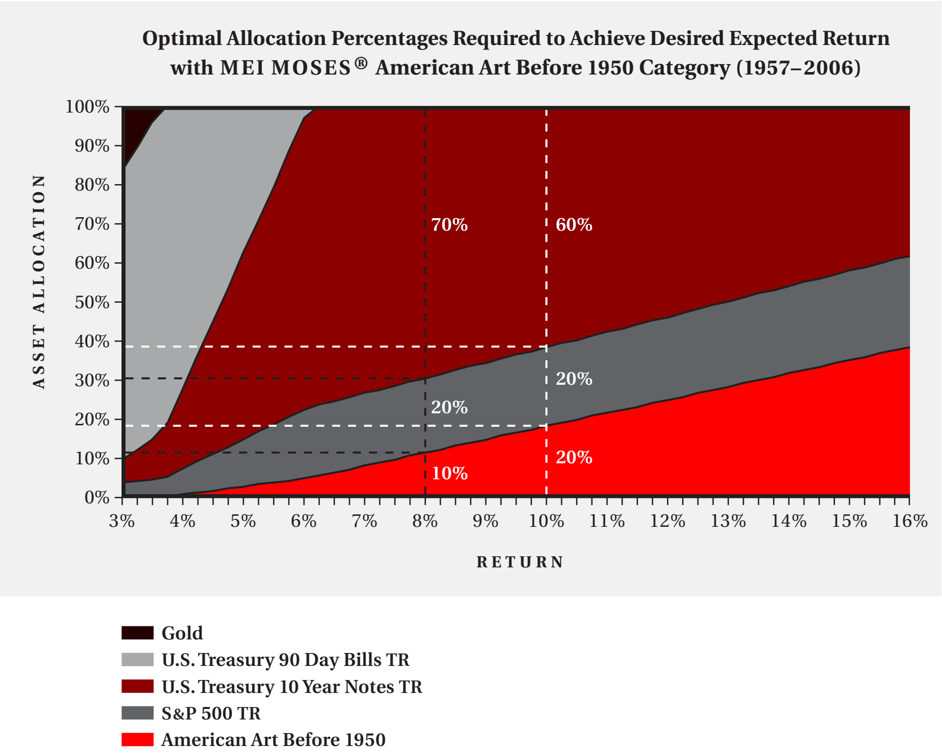
The rational conclusion is that because of American art's absolute performance, modest risk profile, and relatively low correlation with stocks, bonds, and other asset categories, including American art in a comprehensive investment portfolio can increase overall returns with a reduced level of risk.

Figure 2 Optimal Asset Allocation Based on the Last 50 Years of Risk/Return History[11]

Explanation of Figure 2

Figure 2 plots optimal asset allocations needed to achieve a desired return. Optimal asset allocations are defined as the mix of assets with the lowest overall level of risk (standard deviation) to achieve the desired rate of return. For example, if the desired return is 3 percent, then the lowest-risk means of achieving that result is through a portfolio made up of about 75 percent U.S. Treasury bills (ninety-day maturities) and small allocations of gold, U.S. Treasury notes (ten-year maturities), and the S&P 500. However, to achieve a 16-percent return, the portfolio—as you might expect—would be dramatically different, with almost 40 percent allocated to American art, roughly 40 percent in U.S. Treasury notes, and the remaining 20 percent in the S&P 500.

How to use the graph: By way of example, if a 3-percent return is desired, measure the height of each field directly above the 3-percent vertical return axis. In this example, the height of the S&P 500 field is equivalent to about 4 percent of the required portfolio, and the height of the U.S. Treasury notes is equivalent to about 6 percent. Additionally, the height of the U.S. Treasury bills is equivalent to 75 percent, and the height of the gold field is equivalent to 15 percent of the required portfolio.



How Expertise Can Enhance Investment Results

I was introduced to the idea of art as an investment almost twenty years ago, before I had any interest in the aesthetics or experience of owning great paintings as a collector. This introduction also took place long before the press began to regularly discuss art's role as a viable addition to an investment portfolio. I had the good fortune back then to have a business relationship with Louis Salerno and Questroyal Fine Art, who ably ushered me into my first art investment. This initial interest in purchasing artwork came from observing Questroyal's success—and from knowing and trusting its principal owner. In the spirit of full disclosure, Lou is a relative and has been my client for many years.

Earlier in this booklet, we presented statistical data on the absolute and relative performance of art as an investment, and we showed how American art has performed over various time intervals as well as during periods of economic adversity. We also demonstrated the risk-reducing benefits of art in an investment portfolio; however, it is important to bear in mind that all of the data were drawn from public auctions, which represent perhaps only half of the overall sales in the worldwide marketplace. Public auction results provide the most objectively verifiable data without the risks associated with collecting information on private sales. It is difficult to say how the inclusion—even if it were available and verifiable—of private sales would impact the data.

Art sales are not like sales of publicly traded stocks, bonds, or treasuries. It would be difficult to argue that the market for art is anywhere nearly as efficient as these other instruments. The documented performance for art investments results from matching specific pairings of purchase and sale at public auctions. It is easy to see how such sales could have a degree of inherent inefficiency in pricing, but the results—even under these constraints—are still compelling.

In some respects, investing in art (ignoring for the moment the genuine visceral and aesthetic reasons for owning art, which can arguably far outweigh even top-quartile investment performance) can be more analogous to private equity (PE) investing. In the PE world, company shares are not traded on an exchange every day. When the owner of a PE investment determines that he or she would like to sell, analysis must be completed in order to determine an appropriate value. In fact, both the seller and potential buyer must do their own valuation analyses. In many of these cases, one or both sides will seek outside expertise to assist with the valuation. These valuation experts may analyze similar companies to compare how they are trading in terms of the multiple of their earnings or cash flows; they may also review recent sales of "equally situated" companies for another indication of pricing. When all is said and done, the experts will compile all value indicators, consider them carefully, and give their clients, either the buyer or the seller, an estimated range of worth.

The analogies related to art investing are interesting. Art, like a PE investment, is not traded on an exchange, and it may be advisable to get outside expertise to assess an appropriate value. A trusted advisor or, better yet, co-investor or expert may use some of the same analytical methods employed by investment bankers. Various databases that offer detailed, market comparable analyses or recent sales of similar works are available to professionals who have access to them; however, true experts can guide valuation with their knowledge of a painting's provenance, a familiarity with the artist's oeuvre, or both.

In the following four case studies we show how expertise could have influenced the selection of paintings.

Case Study 1 Insider Expertise

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2011–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Milton Avery	*The Blue Brook, Vermont* (undated)	5/24/2007	$96,000	$50,000	-$46,000	4	-15%

Milton Avery's later works are considered excellent examples of American modernism, and his top ten works sold at auction, all created after 1943, feature brightly colored scenes of abstract figures. *The Blue Brook, Vermont*, however, appears to be an earlier work that shows only the stirrings of Avery's later style—hinted at in the flattened fence and rock forms. The sky and trees lack the vibrant color saturation and abstracted style typical of his later, iconic work. Here, these underdeveloped elements likely suggest that *The Blue Brook, Vermont* is a less desirable painting by Avery, a notion that might fail to motivate future buyers looking for a quality example of the artist's best work.

Case Study 2 Insider Expertise

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2011–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Winslow Homer	*Skating* (undated)	12/03/2008	$194,500	$104,500	-$90,000	4	-14%

When looking to invest in a work by American realist Winslow Homer, it is important to take into account the trajectory of his career. His best-selling works were created during his later years; dazzling, bright marine paintings and landscapes make up the majority of pieces from this period, which earned the artist his reputation as a leading American watercolorist. The muted, dark tones employed in *Skating* are atypical for Homer and would also indicate that this is an earlier work by him. Telltale traits identified with Homer's oeuvre—a dramatic sense of spontaneity, an emphasis on the relationship between nature and mankind, glittering light effects, and a keen attention to detail—are all absent from this painting. The fact that Homer's authorship is not immediately recognizable should have been a cautionary flag and is most likely a contributing factor to the decreased return.

Case Study 3 Insider Expertise

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2011–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Georgia O'Keeffe	*A White Camellia*, 1938	5/24/1990	$605,000	$3,218,500	$2,613,500	22	8%

Georgia O'Keeffe was an important American artist widely considered to be unmatched in both style and skill; over one hundred museums across the world hold more than five hundred examples of her work. She was a central figure in the important modernist group organized by gallerist Alfred Stieglitz, and her distinctive scenes of the American Southwest solidified her reputation as the nation's first female modernist. The market for O'Keeffe's work demonstrates a high demand for her iconic representations of abstracted flowers: many of them have realized multimillion-dollar prices at auction. In *A White Camellia*, petals and leaves are visibly segmented and defined through O'Keeffe's skillful use of delicate gradients and clean lines; the entire painting is rendered with the same photographic precision present in the best representations of her celebrated floral compositions. These elements would not only substantiate that this is an investment-worthy artwork but also seem to project a continuing augmentation of future returns.

Case Study 4 Insider Expertise

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2011–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Frederic Edwin Church	*Twilight, Mount Ktaadn* [sic], ca. 1858–60	12/5/1996	$188,000	$722,500	$534,500	16	9%

Widely considered the star pupil of Thomas Cole—"father of the Hudson River School," America's first artistic movement—Frederic Edwin Church is one of the most celebrated masters of American landscape painting. Many of Church's fiery, glowing sunsets are in the permanent collections of prominent museums, and it is rare to see one of such quality appear at auction. *Twilight, Mount Ktaadn* [sic], demonstrates Church's expert and effective use of atmospheric perspective and remarkable coloring—stylistic components that collectors associate with the finest examples of his work. This attractive sketch of Mount Katahdin—one of Church's favorite subjects—would have immediately caught Questroyal's attention as an excellent representation of the Hudson River School and as an ideal archetype of the artist's work, making it a wise investment.

Personal Results with Questroyal Fine Art, LLC's Expertise

These case studies are instructive, but I consider my own experience to be the most telling result of investing with a trusted expert. I lack a background in fine art, so I have relied on the patient guidance of Questroyal's expertise, and my results over time have been superior to those given in the earlier pages of this report. For example, I have had a 17-percent compounded annual return (pre-tax) for the last sixteen years, 16 percent for the last ten years, and 12 percent for the last five years—given the global recession over the last five years, that is a significant outperformance!

Conclusion

In 1990 and 1998, Jim Halperin, chairman of Heritage Auctions in Dallas, Texas, and Scott Tilson, Halperin's longtime collector and client, interviewed Warren Buffett regarding his philosophies for investing in collectibles. Buffett set forth these recommendations:

- **Specialize.** Define your circle of competence and collect inside it.
- **Buy the very best piece(s) you can.** It's better to buy a great piece at a fair price than a fair piece at a great price.
- **Work only with dealers you like and trust.** [12]

I agree with Buffett's remarks and, interestingly, only became aware of them when this report was on the brink of completion. Nevertheless, he touches on several of the major conclusions reached in this report:

- The art market continues to grow in terms of both the number of transactions and the average value of those transactions. As a result, these markets are becoming more "efficient" in pricing and the volatility in overall returns is declining (i.e., the risk level is lower).
- Despite the setback from 2008 to 2011, American art has consistently demonstrated that it is a good store of value through periods of economic turmoil. American art's significant outperformance in 2012 reinforces this historic pattern.
- The long-term returns on American art and the standard deviation of those returns are competitive with the S&P 500 total return index.
- While the returns on American art are becoming more closely correlated with the S&P 500, there is still not a strong correlation—meaning that American art continues to offer diversification in an investment portfolio.
- Adding American art to an investment portfolio has been shown to lower the risk and improve the return of that portfolio.
- Focus, education, and assistance from a trustworthy expert will greatly improve your chances of meeting or exceeding the averages. My personal experience, steered by Questroyal's guidance, has exceeded with less volatility the returns shown in the Mei Moses data.
- As any prudent investor knows, past performance does not guarantee future returns.

The case for owning American art as part of your portfolio is compelling. I, or anyone at Questroyal, would be happy to speak with you about the findings in this report or your interest in American Art.

[12] Scott Tilson, "How You Can Use Warren Buffett's Personal Secrets of Success In Today's Exciting Rare Coin Market," *Coin News* (Heritage Auction Galleries, Dallas, Texas) (Winter 2009).

Appendix

Returns Generated by Christie's and Sotheby's November 2011 and 2012 American Painting Sales [13]

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2001–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Paul Weber	*Autumn*	May 2005	$36,000	$7,500	-$28,500	6	-23%
Milton Avery	*The Blue Brook, Vermont*	May 2007	$96,000	$50,000	-$46,000	4	-15%
Winslow Homer	*Skating*	Dec. 2008	$194,500	$104,500	-$90,000	4	-14%
George Oberteuffer	*View of Leiden, the Netherlands*	Mar. 2007	$6,600	$3,250	-$3,350	5	-13%
Hale Aspacio Woodruff	*Totem*	Feb. 2007	$80,000	$46,875	-$33,125	5	-10%
George Loftus Noyes	*Charles River Mills, Massachusetts*	Aug. 2006	$12,760	$7,500	-$5,260	5	-10%
John Singer Sargent	*Mrs. William Crowninshield Endicott, Jr.*	May 2007	$2,168,000	$1,314,500	-$853,500	5	-10%
Winslow Homer	*Young Woman*	Dec. 2003	$511,500	$242,500	-$269,000	8	-9%
Gari Melchers	*A Little House in Egmond, Holland*	Sep. 2007	$27,400	$17,500	-$9,900	5	-9%
Grandma Moses	*Old Oaken Bucket*	Nov. 2007	$115,000	$74,500	-$40,500	5	-8%
George Hitchcock	*Yellow Nasturtiums*	Nov. 1999	$85,000	$31,250	-$53,750	13	-7%
Daniel Garber	*In the Valley*	Nov. 2007	$133,000	$98,500	-$34,500	4	-7%
John Whorf	*Cod Fishing*	Dec. 2004	$9,400	$5,625	-$3,775	7	-7%
Milton Avery	*Wave*	June 2007	$53,780	$37,500	-$16,280	5	-7%
Childe Hassam	*Rainy Day, On the Avenue*	May 2007	$1,272,000	$890,500	-$381,500	5	-7%
John Marin	*Small Point, Maine*	Nov. 2007	$91,000	$68,500	-$22,500	4	-7%
Frank Myers Boggs	*La Seine et Notre Dame*	Mar. 2004	$14,340	$8,750	-$5,590	7	-7%
Reynolds Beal	*Rockport Harbor*	Jan. 1999	$8,050	$3,500	-$4,550	12	-7%
William S. Schwartz	*A Countryside*	Mar. 1994	$18,400	$5,625	-$12,775	18	-6%
Eric Sloane	*Stone Barn*	Mar. 2000	$25,300	$12,500	-$12,800	11	-6%
Childe Hassam	*Sailing on Calm Seas*	May 2004	$1,100,000	$662,500	-$437,500	8	-6%
Joseph Rusling Meeker	*Lake Mendota, Wisconsin*	April 1998	$13,800	$6,250	-$7,550	13	-6%
Robert Henri	*Procession in Spain*	Sep. 2005	$22,800	$15,000	-$7,800	7	-6%
Edward Lamson Henry	*One Sunday Afternoon*	Dec. 1996	$40,250	$16,250	-$24,000	16	-6%
Homer Dodge Martin	*Adirondack Lake*	Dec. 2000	$15,960	$8,750	-$7,210	11	-5%
Hope Shipee Bunin	*Opera at the Hippodrome*	Mar. 1999	$18,400	$10,000	-$8,400	13	-5%
Jasper Francis Cropsey	*Greenwood Lake*	May 2002	$673,500	$422,500	-$251,000	10	-5%
Susan Catherine Moore Waters	*Cache of Berries*	June 2001	$19,550	$12,500	-$7,050	10	-4%
John George Brown	*At the Well*	May 2006	$84,000	$68,500	-$15,500	5	-4%
Alfred H. Maurer	*Woman With Short Hair*	Sep. 2006	$28,800	$23,750	-$5,050	5	-4%
John J. Dull	*The Bridge (Philadelphia)*	April 2005	$9,400	$7,500	-$1,900	6	-4%
Morris Graves	*Red Powder of Puja*	Sep. 1993	$96,000	$52,500	-$43,500	18	-3%
Loring Brown George	*Oysterman's Hut*	May 1991	$9,900	$5,000	-$4,900	21	-3%
Paul Loritz	*Winter Wonderland*	Feb. 1990	$14,300	$7,500	-$6,800	21	-3%

[13] Data was recorded as accurately as possible, but some artist names and painting titles have been abbreviated to fit the size of the table. Purchase Price was recorded from www.askart.com; Sale Price was reported by Sotheby's and Christie's New York offices. Both Purchase Price and Sale Price include the buyer's premium. It should be noted that this table does not list works that failed to sell at auction or works that initially sold prior to 1980. Calculations were completed by Questroyal Fine Art.

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2001–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
Charles Henry Ebert	*Hamburg Cove*	May 2006	$23,900	$22,500	-$1,400	2	-3%
Arthur Fitzwilliam Tait	*Rather Hard Fare*	Nov. 1989	$19,800	$10,625	-$9,175	22	-3%
Walter Emerson Baum	*Landscape, Early Spring*	Dec. 2003	$9,400	$7,500	-$1,900	8	-3%
Childe Hassam	*Quai St. Michel*	May 1998	$3,027,500	$2,098,500	-$929,000	13	-3%
Henry McCarter	*Cathedral Mill University*	Oct. 1998	$10,350	$7,500	-$2,850	13	-2%
Alfred Thompson Bricher	*On the Coast of Maine*	Nov. 2000	$116,000	$86,500	-$29,500	12	-2%
Andrew Newell Wyeth	*Ledge on Hupper's Island*	May 2003	$30,000	$25,000	-$5,000	8	-2%
Mary Ann Currier	*Orange Lilies*	Feb. 1996	$6,900	$5,000	-$1,900	15	-2%
David Johnson	*Shandaken Hills, Ulster County, New York*	May 1992	$9,350	$6,250	-$3,100	19	-2%
Edmund W. Greacen	*The Beach at Watch Hill*	Mar. 2007	$66,000	$60,000	-$6,000	5	-2%
Grandma Moses	*On the Banks of the Hudson River*	Nov. 2000	$115,750	$92,500	-$23,250	12	-2%
William Rickarby Miller	*On the Croton River, Sing Sing, New York*	May 1998	$36,800	$30,000	-$6,800	13	-2%
Alfred Thompson Bricher	*Beached Schooner*	Sep. 1994	$6,325	$5,000	-$1,325	17	-1%
Alfred Thompson Bricher	*Rocky Beach*	Dec. 1990	$3,300	$2,500	-$800	21	-1%
Grandma Moses	*The Willow Mill*	May 2000	$64,000	$56,250	-$7,750	12	-1%
Grandma Moses	*A May Morning*	Mar. 1999	$34,500	$31,250	-$3,250	13	-1%
Jack Levine	*Cigarette Girl*	Dec. 1988	$46,750	$40,000	-$6,750	24	-1%
Martin Johnson Heade	*Hummingbird Perched on the Orchid Plant*	May 2005	$1,136,000	$1,085,500	-$50,500	7	-1%
Elliott Daingerfield	*A Quaint Oriental Shop*	Nov. 2001	$23,750	$22,500	-$1,250	10	-1%
Thomas Wilmer Dewing	*A Reflective Moment*	Mar. 1991	$8,250	$7,500	-$750	20	0%
Eric Sloane	*Connecticut Barn*	Mar. 1995	$8,050	$7,500	-$550	16	0%
Marsden Hartley	*Still Life with Fruit*	May 2004	$95,600	$92,500	-$3,100	8	0%
William Glackens	*Temple Gold Medal Nude*	May 1989	$275,000	$254,500	-$20,500	22	0%
Childe Hassam	*The Bartlett Garden, Amagansett, Long Island*	May 2002	$174,500	$170,500	-$4,000	10	0%
Robert Riggs	*High Bars*	Nov 2000	$38,125	$37,500	-$625	11	0%
Alfred H. Maurer	*Cubist Twin Heads*	Sep. 1990	$50,600	$52,500	$1,900	22	0%
Irving Ramsay Wiles	*Miss Yamada*	Sep.1990	$4,180	$4,375	$195	21	0%
John Frederick Kensett	*Near Newport, Rhode Island*	May 1999	$464,500	$482,500	$18,000	12	0%
Alfred Thompson Bricher	*A Gaff-Rigged Sloop*	Sep. 1994	$6,900	$7,500	$600	17	0%
William J. Glackens	*Washington Square*	May 1998	$552,500	$590,500	$38,000	13	1%
Jamie Wyeth	*The Wreck of the D.T. Sheridan*	May 2005	$50,400	$52,500	$2,100	7	1%
Reginald Marsh	*Pennsylvania Railroad*	Dec. 1987	$6,500	$7,500	$1,000	24	1%
Worthington Whittredge	*In Stony Cove*	Nov. 1990	$8,800	$10,000	$1,200	21	1%
Jane Peterson	*Vedder Fountain, Sunlight*	Nov. 1999	$57,500	$62,500	$5,000	13	1%
Ken Carlson	*Mallards in Flight*	Dec. 2005	$16,800	$17,500	$700	6	1%
John Frederick Peto	*Still Life with Oranges and Banana*	Oct. 1989	$104,500	$122,500	$18,000	22	1%
Reginald Marsh	*Woman Walking*	May 1988	$9,350	$11,250	$1,900	23	1%
Edmund Henry Osthaus	*Pointers*	Sep. 2001	$16,539	$18,750	$2,211	11	1%
George Inness	*The Pond at Sunset, Milton*	Sep. 1995	$20,700	$25,000	$4,300	16	1%
Joseph Decker	*Still Life with Plums and Melons*	May 1989	$19,812	$27,500	$7,688	22	2%
Edward Willis Redfield	*Spring Landscape*	Nov. 2000	$204,000	$242,500	$38,500	11	2%
John Williamson	*Wallingford, Connecticut*	Sep. 1999	$9,200	$11,250	$2,050	12	2%
Charles Sheeler	*The Shower*	Dec. 1986	$30,000	$47,500	$17,500	26	2%

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2001–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
George Henry Smillie	*Bread Loaf, Vermont*	Oct. 2000	$4,025	$5,000	$975	12	2%
William McCloskey	*Apples on a Tabletop*	Dec. 1987	$77,000	$122,500	$45,500	24	2%
Norman Rockwell	*Girl in Spanish Costume*	May 2001	$110,500	$134,500	$24,000	10	2%
George J. Stengel	*The Voice of Spring*	Dec. 1996	$3,680	$5,000	$1,320	15	2%
John Marin	*Circus Lions No. 2*	May 1986	$5,000	$8,750	$3,750	26	2%
John La Farge	*Study of the Parrot Fish*	Nov. 2000	$47,000	$60,000	$13,000	11	2%
Grandma Moses	*Wood Lane*	Mar. 1991	$4,620	$7,500	$2,880	21	2%
Andrew W. Melrose	*View of the Palisades on the Hudson*	May 1992	$8,800	$13,750	$4,950	19	2%
Childe Hassam	*Paris in Winter*	May 1988	$63,250	$110,500	$47,250	23	2%
Lilla Cabot Perry	*Reading*	Dec. 1986	$33,000	$62,500	$29,500	26	2%
Robert Philipp	*In Central Park*	Dec. 1992	$3,520	$6,000	$2,480	20	3%
Thomas Eakins	*Portrait of Francesco Romano*	May 1994	$90,500	$146,500	$56,000	18	3%
Byron Browne	*The White Table Cloth*	April 1989	$10,175	$18,750	$8,575	22	3%
Guy Pène du Bois	*At the Races*	May 1996	$40,250	$62,500	$22,250	15	3%
Jasper Francis Cropsey	*View of the Hudson River, Autumn*	Sep. 1991	$16,500	$30,000	$13,500	20	3%
Alfred Thompson Bricher	*Seascape*	May 2003	$66,000	$84,100	$18,100	8	3%
Jasper Francis Cropsey	*A Glimpse of the Village*	Mar. 1996	$46,000	$74,500	$28,500	15	3%
Ben Shahn	*Maquette for 'Apotheosis'*	June 1988	$18,000	$40,000	$22,000	24	3%
Fairfield Porter	*Bowl of Goldenrod*	May 1985	$16,000	$40,000	$24,000	27	3%
John George Brown	*Living in the Past*	Jan. 1995	$20,700	$37,500	$16,800	17	4%
Thomas Hicks	*After Twenty Years*	Mar. 1993	$2,990	$5,625	$2,635	18	4%
Thomas Hart Benton	*Menemsha Pond*	May 1996	$63,000	$110,500	$47,500	15	4%
Franz Kline	*Sheridan Square, New York*	June 2004	$19,200	$25,000	$5,800	7	4%
James M. Hart	*Autumn Landscape*	May 1998	$14,375	$23,750	$9,375	13	4%
Walter Emerson Baum	*The Lane*	May 1991	$4,675	$11,875	$7,200	24	4%
Guy C. Wiggins	*Old Trinity in Winter*	April 1992	$26,400	$60,000	$33,600	20	4%
William Rickarby Miller	*Figures with Cows Along Path*	Dec. 1998	$5,463	$9,375	$3,912	13	4%
Edward Cucuel	*View of New York*	Mar. 2000	$12,655	$20,000	$7,345	11	4%
Robert Henri	*Irish Lad*	Dec. 1989	$110,000	$278,500	$168,500	22	4%
Alfred Thompson Bricher	*Eagle Head, Manchester-by-the-Sea*	May 1991	$38,500	$96,100	$57,600	21	4%
Charles Marion Russell	*Watching the Iron Horse*	July 1998	$286,000	$542,500	$256,500	14	5%
Edward Moran	*Sunset Marine*	May 1999	$9,200	$16,250	$7,050	12	5%
Milton Avery	*Blue Nude*	Dec. 1986	$14,375	$50,000	$35,625	25	5%
William McCloskey	*Wrapped Oranges on a Tabletop*	Dec. 1987	$231,000	$782,500	$551,500	24	5%
Eric Sloane	*The Covered Bridge, Autumn*	Nov. 1990	$7,150	$21,250	$14,100	21	5%
William Hart	*Near Tappan Zee, New York*	May 1991	$6,050	$17,500	$11,450	20	6%
Hermann Herzog	*Norwegian Landscape*	May 2000	$29,500	$56,250	$26,750	12	6%
Kenneth Hayes Miller	*Shop Girl*	June 1983	$3,300	$16,250	$12,950	29	6%
Ralph Albert Blakelock	*Woodland Brook*	June 1989	$3,520	$11,875	$8,355	22	6%
Ralph Albert Blakelock	*Moonlight*	Dec. 1986	$13,200	$56,250	$43,050	26	6%
Franz Kline	*Lower East Side Market Scene*	Feb. 2005	$27,000	$40,000	$13,000	7	6%
Ludwig Bemelmans	*Sacre Coeur and Nun on a Motorcyle*	Mar. 1993	$4,025	$11,250	$7,225	18	6%
Werner Drewes	*The Trestle*	May 1992	$6,325	$20,000	$13,675	20	6%

Artist	Painting Title	Initial Purchase Date	Initial Purchase Price	2001–2012 Sale Price	Appreciation	Years Held	Compound Annual Return
John George Brown	*The Berry Picker*	Dec. 1992	$19,800	$60,000	$40,200	19	6%
Max Kuehne	*Wall Street Ferry*	Sep. 1993	$4,600	$13,750	$9,150	18	6%
George Bellows	*Dock Builders*	Dec. 1994	$1,377,500	$3,890,500	$2,513,000	17	6%
Andrew Newell Wyeth	*Front Door at Teel's*	May 1996	$34,500	$93,700	$59,200	16	6%
Nicolai Fechin	*Portrait of Rose K.L. Davis*	Mar. 1988	$9,350	$40,000	$30,650	23	7%
George Tooker	*Embrace I*	May 1985	$40,000	$242,500	$202,500	27	7%
Andrew Newell Wyeth	*Wash Tub*	May 2006	$262,400	$392,500	$130,100	6	7%
Robert Henri	*Mary Ann (Mollie)*	Dec. 1989	$121,000	$530,500	$409,500	22	7%
Georgia O'Keeffe	*My Autumn*	Nov. 1995	$937,500	$2,770,500	$1,833,000	16	7%
Fairfield Porter	*Bear Island – Sunset*	Dec. 1990	$5,500	$25,000	$19,500	22	7%
Gut C. Wiggins	*Washington's Birthday – Wall Street Winter*	Dec. 1996	$68,500	$206,500	$138,000	16	7%
James Brade Sword	*Best Friends*	Oct. 1998	$2,760	$6,875	$4,115	13	7%
Norman Rockwell	*Merry Christmas, Concert Trio*	Dec. 1991	$110,000	$482,500	$372,500	21	7%
Albert Bierstadt	*Landscape With Cattle*	May 2001	$46,750	$98,500	$51,750	10	8%
Louis Lozowick	*Panama*	June 2004	$19,200	$35,000	$15,800	8	8%
Georgia O'Keeffe	*A White Camellia*	May 1990	$605,000	$3,218,500	$2,613,500	22	8%
Walt Kuhn	*Lady in Robe (The Performer)*	May 1988	$50,600	$290,500	$239,900	23	8%
William Aiken Walker	*The Cotton Wagon*	May 1991	$88,000	$434,500	$346,500	20	8%
John George Brown	*A Lull in Business*	Sep. 1993	$5,750	$31,250	$25,500	21	8%
Milton Avery	*Sally Avery with Self Portrait of Milton Avery*	Dec. 1983	$28,750	$278,500	$249,750	28	8%
Frederic Edwin Church	*Twilight, Mount Ktaadn* [sic]	Dec. 1996	$188,000	$722,500	$534,500	16	9%
Guy C. Wiggins	*Columbia University*	Oct. 2007	$42,500	$60,000	$17,500	4	9%
Samuel Halpert	*A City Park in Paris, France*	Mar. 2002	$2,600	$5,938	$3,338	9	10%
Rembrandt Peale	*Portrait of Amelia Priestman*	May 1998	$3,450	$5,000	$1,550	4	10%
Mary Cassatt	*Sara Holding a Cat*	May 2000	$830,750	$2,546,500	$1,715,750	12	10%
Walter Elmer Schofield	*Winter Stream*	May 1984	$9,900	$50,000	$40,100	17	10%
Norman Rockwell	*War Hero Job Hunting [Welcome Home Hero]*	Sep. 1993	$54,630	$422,500	$367,870	21	10%
Anthony Thieme	*Florida Shanties, Palatka*	Mar. 1991	$8,800	$68,500	$59,700	20	11%
Thomas Hart Benton	*Rice Threshing*	May 1992	$77,000	$602,500	$525,500	20	11%
Thomas Hart Benton	*On Leave*	Sep. 1995	$32,200	$170,500	$138,300	16	11%
Louis Rémy Mignot	*River Scene, Ecuador*	May 1988	$33,000	$422,500	$389,500	24	11%
John George Brown	*A Taste for Pie*	June 1997	$12,650	$60,000	$47,350	14	12%
Ben Shahn	*Study for 'Apotheosis'*	May 2002	$1,495	$5,000	$3,505	10	13%
Maurice Prendergast	*The Paris Omnibus*	Nov. 2005	$168,000	$362,500	$194,500	6	14%
Marsden Hartley	*Gorges du Loup, Provence*	May 1994	$17,250	$182,500	$165,250	18	14%
Thomas Hart Benton	*Waterfront, New York*	Sep. 1988	$3,080	$86,500	$83,420	24	15%
James Abbott McNeill Whistler	*Venetian Courtyard*	Dec. 1991	$2,200	$80,500	$78,300	21	19%
Peter Rinisbacher	*Buffalo Hunt*	June 2008	$58,900	$104,500	$45,600	3	21%
Walter Emerson Baum	*Spring*	Dec. 2002	$7,050	$8,750	$1,700	1	24%
William Stanley Haseltine	*Pulpit Rock, Nahant*	Dec. 2003	$15,600	$218,500	$202,900	9	34%
Wolf Kahn	*Fog Caught in the Valley*	Mar. 2009	$2,000	$5,000	$3,000	3	36%
Edward Henry Potthast	*Canoeing*	Dec. 2008	$19,000	$50,000	$31,000	3	38%

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